BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
December 18, 2018

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the "BFSA" or the "Authority") held on Tuesday, December 18, 2018 in the first-floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 1:00 PM.

Board Members Present

Chair R. Nils Olsen, Jr.
Interim Vice-Chair Jeanette Jurasek
Secretary George K. Arthur
Director Frederick G. Floss
Mayor Byron W. Brown (proxy Estrich)
County Executive Mark C. Poloncarz (proxy Cornell)

Board Member(s) Excused

Director Dottie Gallagher

Staff Present

Executive Director Jeanette M. Robe
Principal Analyst/Media Liaison Bryce E. Link
Senior Analyst II/Manager of Technology Nathan D. Miller
Administrative Assistant Nikita M. Fortune

Additionally Present

Mr. Richard A. Grimm III, Esq., Magavern Magavern & Grimm LLP

Opening Remarks

Chair Olsen welcomed everyone to the December Board meeting, thanked all who were in attendance, reviewed the logistics and agenda of the meeting, advised that the Governance Committee met earlier, and recommended that the full Board approve several items.

Roll Call of the Directors

Secretary Arthur called the roll noting the excused absence of Director Dottie Gallagher. A quorum being present, the meeting commenced.

Erie County Budget Analyst, Mr. Mark Cornell, represented County Executive Mark C. Poloncarz, while City of Buffalo Commissioner of Finance, Administration, Policy, and Urban Affairs, Ms. Donna Estrich, represented Mayor Byron W. Brown, in accordance with Subdivision 1 of §3853 of the BFSA Act.

Subdivision 1 of §3853 of the BFSA Act reads: "…The Mayor and the County Executive shall serve as ex officio members. Every director, who is otherwise an elected official of the City or County, shall be entitled to designate a single representative to attend, in his or her place, meetings of the Authority and to vote or otherwise act in his or her behalf. Such designees shall be residents of the City of Buffalo. Written notice of such designation shall be furnished prior to any participation by the signal designee…."

Chair Olsen introduced Resolution No. 18-25, "Approving Minutes and Resolutions from September 10, 2018 and September 24, 2018."

Director Floss made a motion to approve.

Secretary Arthur seconded the motion.

The Board voted 6-0 to approve Resolution No. 18-25.

BFSA Items

Chair Olsen advanced the agenda and stated that the Governance Committee met earlier in the day and recommended the approval of the following items:

1. 2019 BFSA Board Meeting Calendar
2. 2019-20 Minority and Women-Owned Business Enterprise ("MWBE") Goals
3. 2019-20 Service-Disabled Veteran-Owned Business Development ("SDVOB") Goals

Director Floss made a motion to approve Resolution No. 18-26, "Adoption of a BFSA Board of Director Regular Meeting Schedule for Calendar Year 2019."

Secretary Arthur seconded the motion.

The Board voted 6 to 0 to approve.

Chair Olsen requested a motion to approve Resolution No. 18-27, "Approval of 2019-20 MWBE Master Goal Plan."

Director Floss made the motion as requested.

Secretary Arthur seconded the motion.

The Board voted 6 to 0 to approve.

Chair Olsen requested a motion to approve Resolution No. 18-28, "Approval of the 2019-2020 SDVOB Enterprise Master Goal Plan."

Director Floss made the motion as requested.

Secretary Arthur seconded the motion.

The Board voted 6 to 0 to approve.

Chair Olsen requested a motion to approve Resolution No. 18-29, "Authorized Signatures and Signing Restrictions for Key Bank Accounts."

Director Floss made the motion as requested.

Secretary Arthur seconded the motion.

The Board voted 6 to 0 to approve.

<u>Buffalo Municipal Housing Authority ("BMHA")</u>
Review of First Quarter ("Q1") Report

Chair Olsen advanced the agenda to review BMHA Q1 operating results for fiscal year ("FY") 2018-2019. It was noted during the review that the 2019-2022 Financial Plan was not formally modified after the approval of the labor contract with Local 264. Therefore, a resolution has been drafted that requires the submission of a modified financial plan. Chair Olsen turned the floor over to Ms. Jeanette Robe and Mr. Nathan Miller for the presentation.

Ms. Robe began the presentation stating the labor agreement was previously approved by the BMHA Board of Commissioners on September 13, 2018 and ratified by Buffalo Common Council on September 18, 2018. The BFSA reviewed the contract on September 10, 2018 along with a draft modified financial plan. However, the modified financial plan was not approved by the BMHA and is out-of-balance as the incremental costs associated with the labor contract are not reflected. The drafted resolution has been reviewed by BFSA counsel and requires the BMHA to submit a modified financial plan to BFSA by January 18, 2019. BMHA Executive Director Gillian Brown has been made aware that a modified financial plan must be submitted.

Mr. Miller began his portion of the presentation stating BMHA Q1 revenues were $44.6M and expenses were $45.4M. Expenses therefore exceeded revenues by $0.8M. The U.S. Housing and Urban Development ("HUD") subsidy is 26% higher than originally budgeted. Expenses are under budget to date which is reflective of a significant number of vacancies. There were 166 budgeted positions with 128 filled, leaving 38 positions unfilled, a vacancy rate of 25%.

The five major revenue sources and budgeted percentages received for Q1 were:

- HUD subsidy 26%
- Net dwelling/non-dwelling income 25%
- HUD Public Housing Authority ("PHA") grants – vouchers (Section 8) 29%
- All other revenues 27%
- Transfers from capital grants 25%

The total budgeted revenue received for Q1 was $11.8M, or 26% of the $44.6M adopted budget revenue.

The six major expenses and expenditure percentages for Q1 were:

- General expenses 22% (due to an administrative vacancy rate of 25%)
- Maintenance 23%
- Administrative 25%
- Utility 22%
- Other expenses 26%
- Protective Services/ Resident service costs 22%

Total budgeted expenses for Q1 were $10.5M, or 23% of adopted budget expenses, reflecting a positive variance of $0.8M.

It is anticipated the expenses will increase as vacant positions are filled.

Director Floss stated it is important for BMHA to fill maintenance positions for housing repairs to be made in a timely manner. Chair Olsen concurred.

Ms. Robe stated during the September 10, 2018 meeting the BFSA requested BMHA to provide the Board with a biannual report that will address operational detail which is not included in the Q1 report.

Chair Olsen stated there appears to be a better effort to address the turnaround time for housing units which will ultimately increase the revenue the BMHA receives.

Interim Vice Chair Jurasek asked for more detail on capital grants. Ms. Robe stated the capital grant portion reported in the Q1 report reflects the administrative portion of the capital grant that can be retained by the central office.

Director Floss emphasized the importance of BMHA using the capital budget for housing improvements and not to cover administrative costs and Interim Vice Chair Jurasek agreed.

Chair Olsen noted the City's commitment to making significant affordable housing apart from BMHA.

Mr. Miller concluded his presentation stating the FY 2018-19 actual-to-date BMHA net operating income is $1.3M.

<u>Conclusion</u>

BMHA's FY 2018-19 Adopted Budget and 2019-2022 Financial Plan is no longer balanced due to the settlement of the labor contract with Local 264. Therefore, a modified budget and financial plan that addresses the incremental labor costs is required.

Hearing no additional questions or comments Chair Olsen requested a motion to approve Resolution No. 18-30 requiring the submission of a modified financial plan.

Director Floss made the motion as requested.

Secretary Arthur seconded the motion.

The Board voted 6 to 0 to approve the motion.

<u>City of Buffalo ("City")</u>

Review of 2019 Capital Budget and related 2019-2023 Capital Improvement Program

Chair Olsen advanced the agenda to review the City's 2019 Capital Budget and 2019-2023 Capital Improvement Program which was approved by Common Council on December 11, 2018. Chair Olsen turned the floor over to Mr. Bryce Link to review the information.

Mr. Link stated that Mayor Brown ("Mayor") proposed a capital budget of $27.1M, of which $20.2M will be bonded for projects and $6.9M in projects will be authorized but unissued. The Comptroller's debt limit for the current year is $23.2M.

Requested financing for $23.2M consists of the following categories:

- City buildings $9.4M, or 40%;
- Infrastructure $7.1M, or 31%;
- Vehicles $2.1M, or 9%;
- Economic development and culturals $1.7M, or 7%;
- Demolition and tree management $1.6M, or 7%;
- Parks $1.3M, or 6%.

The Mayor's 2019 requests included $20.2M in city-wide projects and $6.9M authorized but unissued for a total of $27.1M. Common Council amended the request for an additional $1.0M authorized but unissued to satisfy the City's matching portion of a grant for Grant St. redevelopment. Therefore, the total request is $28.1M.

Director Floss asked if the City Comptroller has asked that the BFSA issue bonds on behalf of the City since interest rates have increased. Ms. Robe replied the Comptroller's office will be contacted to run an analysis in conjunction with both financial advisors to identify potential cost savings.

Interim Vice Chair Jurasek asked when the last analysis was completed. Ms. Robe stated an analysis was completed by BFSA's financial advisors approximately one year ago.

Chair Olsen stated the importance of the City issuing its own bonds while recognizing the City's bond ratings are enhanced by the presence of the BFSA. However, if the cost difference is significant the BFSA should issue the bonds.

Director Floss suggested the BFSA work with the City administration and Comptroller's office to develop a systematic plan to address the benefits and costs of BFSA issuing bonds on behalf of the City. Ms. Donna Estrich stated there were not a substantial savings for the City last year.

Mr. Link continued his presentation stating the Mayor requested financing in the amount of $23.2M which includes $3.0M which was previously authorized but unissued.

Capital bond proceeds remaining by issuance at June 30, 2018 total $19.0M while capital projects that have been authorized but unissued total $16.3M.

Conclusions

- No proposed projects and related financing for the District. The City hasn't borrowed on behalf of the District since 2012.
- BFSA continues to recommend the City consider not financing general operating expenses such as demolitions and tree removal/planting:
    - Uses limited bonding capacity;
    - $10.1M over five-year capital plan (8.7% of total).
- Total authorized and unissued debt will be $16.3M:
    - Excess capacity over the next four years is $11.8M;
    - Inability to finance all projects included over the five-year capital plan:
        - A long-term plan should be established in which the sale of projects is carefully laid out in the context of the limits placed by the City Comptroller and other funding sources available to the City.
- Minor amendments made by Common Council for six specific district projects in line with last year's practice valued at $2.1M.

Hearing no additional comments or questions Chair Olsen advanced the agenda to the next item.

Audited Financial Statements FY ended June 30, 2018

Chair Olsen advanced the agenda to review the City's audited financial statements as submitted by the Comptroller's Office on November 9, 2018.

Mr. Link gave the following overview:

- The 2017-18 budget was adopted with $487.5M in estimated revenues and anticipated expenditures of $499.6M. Therefore, there was a planned deficit of $12.1M. The final budget identified $487.5M in revenues with an anticipated expenditure of $511.1M resulting in deficit of $23.6M. The actual revenues totaled $471.3M, resulting in a negative variance of $16.2M. The actual expenditures totaled $504.1M, resulting in a positive variance of $7.0M. The final deficit resulted in a negative variance of $9.2M.
- The fiscal year began with fund balance at $114.9M and ended with $92.0M.
- Total revenues increased from $462.0M in 2017 to $471.3M in 2018, a $9.3M increase.
- The increase in revenues was due to the following:
    - Property taxes, assessments, and other taxes increased $2.9M
    - Licenses, permits, fines and service charges increased $1.3M
    - Miscellaneous increased $0.5M
    - Intergovernmental revenue decreased $0.1M
    - All other revenue sources a net decrease of $0.1M
    - Transfers in increased $4.8M

Mr. Link provided the following historical overviews:

- The property tax levy was $143.6M in 2008-09 and $139.6M in 2017-18, a decrease of $4.0M, or 2.8%. If adjusted for inflation, the $143.6M would be $166.6M, a difference of $23.0M, or 16%. Ms. Estrich stated the City is currently at approximately 61% of the tax cap limit.
- The sales tax revenue was $71.7M in 2008-09 and $84.9M in 2017-18, an increase of $13.2M. If adjusted for inflation, the $71.7M would be $82.6M, therefore sales tax continues to be at or above inflation for the past ten years.
- Annual New York State Aid and Incentives to Municipalities (NYS AIM) was $147.3M in 2007-08 and $161.3M in 2017-18. NYS AIM has been held flat over the past eight years. If adjusted for inflation, $161.3M would have a current value of $177.2M.

The year-to-year comparison of general fund expenditures showed a decrease of $2.2M from 2017 to 2018 based on the following factors:

- Departmental decreased by $2.6M
- General charges increased $3.0M
    - Fringe benefits increased $4.8M (3.6%)
        - $4.7M for increased health insurance costs
        - $0.1M increase for workers compensation insurance
    - Other decreased $1.8M (19.8%)
        - Judgments & Claims $1.8M
- Interfund transfers out decreased $2.6M

Mr. Link continued his presentation stating that over the most recent three-year period, there has been a negative variance between budgeted and actual revenues in excess of $15.0M annually. FY 2017-18 ended with an unfavorable budgeted revenue variance of $16.2M. Significant variance points highlighted were:

- $7.8M unfavorable variance for miscellaneous revenue
    - $6.5M due to real property sales not closing as expected
    - $0.6M due to lower than anticipated property rentals
    - $0.7M net negative variance for all other miscellaneous revenues

Director Floss asked if the $7.8M variance was due to a timing issue. Ms. Estrich responded that timing has been an issue. Director Floss stated for the record that almost half of the unfavorable balance is due to timing issues and not an actual loss in revenue and stressed the importance of not over-adjusting. Ms. Robe stated the same issue is reflected with the impact of the Tribal-State Compact. Ms. Estrich stated mediation was completed and NYS is now awaiting a final decision. Mr. Link continued his presentation:

- $3.3M unfavorable variance in fines
    - $3.2M unfavorable variance for traffic violation fines
- $2.8M unfavorable variance from transfers in from the parking enterprise fund
- $2.0M negative variance in intergovernmental revenue
    - Tribal-State Compact negative variance of $2.5M, however, the adopted budget amount of $7.0M was subsequently modified
- $1.1M positive variance in taxes
- Combined $1.4M negative variance for charges for services, utility taxes, assessments, and fines

Ms. Estrich stated that in previous years the planned use of fund balance was used to balance the budget. An excess amount beyond what was planned for in FY 2018 was used which depleted the unassigned fund balance. The City has not received the casino revenue from the Seneca Gaming for the past two years. Chair Olsen responded that there are few municipalities that don't depend on some part of fund balance for operations. This was discussed with the outside adviser when the BFSA discussed transitioning from hard control to advisory. Traditionally under public accounting, the use of fund balance would not be recorded as revenue since it is a non-recurring resource. The use of fund balance is so prevalent now in government to balance budgets, it doesn't make sense not to include it as long as the budget is balanced. Discussion between Director Floss, Ms. Estrich, Direct Jurasek, Chair Olsen regarding fund balance.

Mr. Link stated the final budget has historically exceeded the actual budget since FY 2010-11. Actual expenditures for FY 2010-11 were $466.3M and increased to $504.1M in FY 2017-18, an increase of $37.8M, or 8.1% over the last eight years. The increase reflects settlements of collective bargaining agreements and the increased cost of fringe benefits. Chair Olsen stated the settlement of collective bargaining agreements reversed a more destructive factor of having the City carry most of the benefit costs and locked in some efficiencies as well. Director Floss stated that labor expenses are hidden and differed when labor agreements are not current. By being current on labor agreements the City has a better idea of what the out-year costs will be for personnel.

Ms. Estrich stated all City contracts are settled until June 2019.

Interim Vice Chair Jurasek questioned why NYS AIM had not increased for such a long period of time. Director Floss stressed the importance of looking at total state aid as it has been adjusted in previous years providing more flexibility while at the same time causing unpredictability because it is unknown what will be received on a year-to-year basis.

Mr. Link continued his presentation by reviewing the significant variance points of General Fund total expenditures final budget as compared to actuals:

- FY 2017-18 favorable variance for budgeted appropriations of $7.0M
    - $4.5M unfavorable variance in fire and police department due to overtime
    - $6.2M favorable variance in fringe benefits, including health insurance and pension payments
    - $5.7M favorable variance in all other departments due to vacancies and decrease in cost of supplies.
    - $0.4M unfavorable variance in transfers out to the solid waste refuse fund

Mr. Link provided a fund balance review beginning with total fund balance as of June 30, 2018, which was $92.0M as compared to total fund balance of $114.9M as of June 30, 2017. There was a decrease of $22.9M year-to-year. Total fund balance consists of the following categories:

- Nonspendable/restricted $39.9M
- Committed $38.7M
- Assigned $13.4M
- Unassigned $0.0M

Committed fund balance represents the Emergency Stabilization Fund (i.e., Rainy Day Fund) and is equal to 30-days of expenditures. Assigned fund balance of $13.4M decreased $21.8M from prior year with the largest reductions in the amount allocated to be used in next year's budget and the amount set-aside for judgments and claims. It should be noted that $6.5M in unassigned fund balance had been used in FY 2017-18 that was not planned for.

A historical review of fund balance showed during FY 2002-03 total fund balance was $36.0M and reached its peak of $165.8M during FY 2013-14.

Director Floss asked that money saved from wage contracts during the wage freeze be deducted to provide a more accurate picture of the City's financial structure. It was noted that the costs associated for collective bargaining agreements were not accrued as part of fund balance. That when the City did settle with unions, the accrued resources were released to address the increased costs and any resources beyond what was required for retroactive payments and current year costs would be moved to fund balance.

Mr. Link stated the present value of projected other post-employment benefits is $1.255B as compared to $946M in 2006.

Solid Waste & Recycling Fund

Mr. Link stated there was a loss of $3.4M for FY 2017-18. The long-term receivable due to the general fund has increased to $19.5M for FY 2017-18 as compared to $15.8M in FY 2007-08.

The fund has a total net deficit of $67.0M, an operating loss for 2017 of $3.4M and a 2017-18 change in net position of negative $0.6M.

Ms. Estrich stated the City changed the rates for 2018-19 and therefore no transfer from the City is anticipated.

Chair Olsen stated his concerns of the stability of the property tax rate over time which result in significant changes in development within the City. A balance is always needed to make living in the City appealing with respect to stable costs, while at the same time being able to meet rising labor costs.

Secretary Arthur asked when the next re-evaluation study would be completed. Ms. Estrich new assessments will be due in 2020 and meetings will begin next summer.

Privilege of the Floor

Chair Olsen opened the floor for public comments.

Executive Assistant to City Comptroller Mr. Patrick Curry, took the opportunity to address the BFSA regarding the City's use of $23.0M in fund balance after its use of $35.0M in fund balance the prior year. He stated a total $108.0M in fund balance has been used over the past eight years to close budget gaps. While the fund balance reached $166.0M in 2013, it is currently at $92.0M. The unassigned fund balance is currently at $0, whereas it totaled $64.0M in 2013. The City's budget has been structurally imbalanced year after year and the recently proposed increases of taxes and user fees will only keep pace with rising labor costs as nearly all employees are under contract to receive raises of at least 2%. The budget relies heavily on unproven revenue, such as casino revenue and entertainment tax/facility fee and charitable donations.

Mr. Curry stated imposing a facility fee may jeopardize the tax-exempt status of bonds and bond counsel will need to review all outstanding obligations and may need to refinance bonds on a taxable basis. Subsequently, this revenue may cost the City more in the long term. The City regularly budgets approximately $7.0M in real estate sales, however, only $1.0M is actualized. Over the past six years, the City has budgeted $39.0M in revenue from the sale of real estate but has only received $3.9M in return and therefore does not support the claim of a timing issue.

Mr. Curry stated certain expenses are underestimated such as:

- Overtime which has cost between $26.0M and $30.0M over the past four years. It is tracking towards $26.0M for the current FY although $16.0M was budgeted.
- Judgment and claims budgeted at $2.0M while the average has been $4.0M and an estimated $8.0M in outstanding claims per the law department. There is only $2.7M set aside in fund balance for judgment and claims.

Mr. Curry commented the City used reserves to fill budget gaps which have caused cash flow problems and has used interest-free funds from a shared account with Buffalo City School District to pay expenses. Otherwise, the City would have gone to market for a revenue anticipation note last year and this year.

Mr. Curry stated the "Rainy-Day fund," consists of 30 days' worth of expenditures and will more than likely be the next source of funding to be used to cover forthcoming budget gaps. The fund is only to be used in extraordinary, unforeseen circumstances such as a natural disaster or a mid-year cut in NYS aid and not to fill known budgetary gaps.

The Comptroller's office plans to propose an updated fund balance policy to protect and or replenish the Rainy-Day fund and seeks the BFSA's support when the draft is forwarded to the Common Council for approval.

Mr. Curry highlighted several ways the Comptroller's Office has attempted to help the City's bottom line.

In closing, Mr. Curry stated the City has exhausted its reserves and made no progress in balancing its budgets since the BFSA entered an advisory period and urged the BFSA to take a strong stand against the City's current fiscal practices.

Chair Olsen responded to Mr. Curry's comments stating the functions, actions and purpose of the BFSA and the City's 2019-2022 Financial Plan was reviewed and found to be following the BFSA Act and deemed operationally balanced. The BFSA works collaboratively with the City and any concerns the BFSA had were addressed during review.

Various revenues and expenses are closely monitored yearly such as overtime, casino revenue, entertainment surcharge and labor costs.

Chair Olsen addressed the City's reliance on the District's cash reserves as a legal part of the City's budget as there is no way to separate the finances of the two without hard control over the District. It is an inherent way larger city are structured with respect to their school district. There are ways to meet future shortfalls should the need arise such as property taxes increases. Therefore, the City is compliant with the BFSA Act.

Director Floss stated for the record that the goal of BFSA and the City is not to maximize fund balance. Demolitions should be viewed as a capital expense as they are a way of improving land value for redevelopment which in turn will generate more property tax revenue for the City. He then asked the Comptroller's Office to submit a bullet-point memo of its concerns to the BFSA for review.

Chair Olsen stated the demolitions are a quality of life issue to City residents and therefore sees no issue with their funding source. He also noted areas of the City have been unaddressed for many years and the increase in demolitions is a way of improving the quality of life in long ignored neighborhoods. Ms. Estrich stated multiple funding sources are used for demolitions such as block grants and the general fund for targeted demolitions. The use of bond proceeds to fund demolitions are to cover expenses for emergency demolitions, particularly larger properties or properties that have an absentee owner. The securing and demolition of these properties is a health and safety issue for the City.

Interim Vice Chair Jurasek supported Directors Floss's request for the Comptroller's Office to submit a written report of Mr. Curry's presentation along with their proposal as the BFSA is unable to act upon an oral presentation. Mr. Curry indicated he would submit a summary in writing.

<u>Buffalo City School District ("BCSD" or "District")</u>
Hearing no additional comments Chair Olsen advanced the agenda to review several District items as presented by Mr. Nathan Miller.

<u>Audited Financial Statement FY ended June 30, 2018</u>
Mr. Miller provided the following overview of the 2017-18 final budget as compared to actual:

- The 2017-18 final budget identified $872.2M in revenues with anticipated expenditures of $896.9M. There was a planned use of fund balance of $24.7M. The actual revenue totaled $878.8M with expenditures of $866.7M resulting in an increase in fund balance of $12.1M. The net change in fund balance was favorable by $36.8M.
- Erie County sales tax receipts were higher than expected by $3.9M
- NYS Aid was favorable by $4.4M:
  - NYS Lottery Aid was $16.8M higher than anticipated;
  - Basic formula aids unfavorable by $12.3M
- Expenditures had positive variances in:
  - General support: favorable variance of $11.4M (physical plant, information technology, central office administration and special items)
  - Instruction Regular Schools: favorable variance of $14.4M (teaching (35 FTE vacant position at fiscal yearend (FYE)), pupil services, instructional media)
  - Charter school payments: favorable variance of $0.1M
  - Employee benefits: favorable variance of $3.1M
  - Pupil Transportation: favorable variance of $1.2M

Director Floss asked how much of the general support savings was due to the District rearranging programing to lower the number of teachers used as opposed to a reduction of services to students. Mr. Miller stated the variance in teacher positions throughout the year is largely due to a change in funding sources; as grants are recognized the positions are moved out of the general fund.

Mr. Miller provided the following fund balance summary:

- FYE 2018 had total fund balance of $194.7M:
  - Nonspendable/restricted $25.5M
  - Assigned $91.4M
  - Unassigned $77.8M
- FYE 2017 had total fund balance of $182.6M
  - Nonspendable/restricted $25.5M
  - Assigned $87.1M
  - Unassigned $70.0M
- The net change to total fund balance was a favorable $12.1M

Director Floss asked if total fund balance included an accrual for unsettled labor contracts. Mr. Miller responded that $8.0M of fund balance was assigned for expired contracts. This designation is not an accrual but management's current designation.

Mr. Miller stated the significant fluctuations which caused the general fund revenue increase for FY 2017-18 of $31.1M, or 3.7% were:

- NYS Aid increased $33.9M, or 4.8%
- City contribution increased $0.5M, or 0.7%
- Non-property tax items (sales tax) increased $2.9M, or 6.6%
- Federal Aid increased $0.2M, or 4.8%
- Miscellaneous decreased $6.5M or 38%

The significant fluctuations that caused the general fund expenditures to decrease for FY 2017-18 by $1.5M, or 0.2% were:

- Operating expenditures decreased $1.7M, or 0.2%
    - Instruction decreased $9.8M, or 3.0%
    - General support decreased $4.6M, or 6.4%
    - Charter school payments increased $11.9M, or 11.2%
        - Increase in per pupil tuition payment of $250 (reimbursed in following year's NYS Charter School Aid)
    - Pupil transportation increased $1.7M, or 3.3%
    - Employee benefits decreased $1.0M, or 0.5%
    - Health & Community services/ transfers out decreased $0.3M, or 0.1%
- Non-operating expenditures increased $0.2M, or 0.2%

Secretary Arthur asked how many pupils are enrolled in charter schools as compared to District public schools. Mr. Miller stated enrollment in the District has been relatively flat while there has been a slight increase in charter school enrollment. There are two applications pending for new charter schools and there are established charter schools expanding their enrollment.

Chair Olsen stated the District provides ancillary services for the Charter Schools such as special education and transportation services. Mr. Miller stated the District is reimbursed 87% of the transportation costs in the following year.

Mr. Miller stated the actuarial accrued liability of other postemployment benefits has decreased over the last two fiscal years. It was noted that payments are budgeted annually without accrual and are based on the pay-as-you-go method.

Hearing no additional comments or questions Chair Olsen received and filed the first quarter reports for the District and Buffalo Urban Renewal Agency and advanced the agenda to review the historical fund balance of the District presented by Mr. Nathan Miller.

Historical Fund Balance of BCSD

The BFSA instituted both a hiring freeze and a wage freeze in 2004. Total fund balance increased from $33.5M, or 8.0% of expenses in FYE 2003 up to $73.5M, or 13.5% of expenditures, in FYE 2007. Unassigned, unreserved fund balance went from $4.6M, or 1.1% of expenditures, to $16.4M, or 3.0% of expenditures for the same time period. It was noted the recommended threshold for fund balance should be at least 4% of expenditures.

During the Great Recession, between FYs 2008 and 2012, total fund balance increased from $119.3M, or 5.4% of expenditures, to $221.2M, or 5.9%, of expenditures.

In FY 2013 the total fund balance was $208.4M, or 27.2% of expenditures and decreased to $182.6M, or 21.0% of expenditures in FY 2017. It was noted the teacher's contract which was settled in FY 2017 is reflected in the decease of the fund balance.

The District has a gap-closing measure that includes the appropriation of $19.0M of fund balance for FY 2019 and $10.0M for FY 2020 with the goal of being operationally balanced in years three and four of the financial plan. The remaining cumulative gap of $57.7M is proposed to be closed by a series of gap-closing actions.

Director Floss noted for the record that future wage contracts were not included in the analysis. Chair Olsen stated the last teachers' contract took eleven years to settle so uncertainty is to be expected.

Mr. Miller provided the estimated impact of the District settling all expired and expiring CBA's over the 2019-2022 Financial Plan using assumptions developed based on past precedent and staff's analysis. The Financial Plan previously included estimates for contact settlements of 1.5% for several labor groups. The estimated total net cost for the settlement of all outstanding CBAs is estimated to be between $51.6M and $71.8M over the 2019-2022 Financial Plan. The settlements would equate to an incremental increase to the financial plan of $35.5M to $56.0M.

Director Floss asked if an assumption of increased state aid was included in the analysis that could be used to assist with settled contracts, which in turn would increase fund balance if NYS aid increased fast enough. Mr. Miller replied that the analysis focused on the expenditure aspect solely of settling the CBAs.

Interim Vice-Chair Jurasek asked if the District has provided similar analysis in their Financial Plan in an effort to fiscally prepare for contract settlements.

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Mr. Miller responded that the District has set aside $16.0M for contract settlement.

Hearing no additional comments or questions Chair Olsen noted there was no new business for the Board to address.

Privilege of the Floor
Chair Olsen noted no members of the public were present for comment and asked for a motion to adjourn.

Adjournment
Director Floss made a motion to adjourn.

Secretary Arthur seconded the motion.

The Board voted 6-0 to adjourn.

The Board adjourned at 3:01 PM.